



**MINUTES FROM THE AUDIT AND GOVERNANCE COMMITTEE
OF THE PLANS MANAGEMENT BOARD
FEBRUARY 12, 2019**

A meeting of the Audit and Governance Committee (the “Committee”) of the Plans Management Board (the “Board”) was held on February 12, 2019, 10:00 a.m., at the Carvel State Office Building in the Office of the State Treasurer (“OST”) Conference Room, located at 820 N. French Street, Wilmington, Delaware 19803.

Committee Members Represented or in Attendance:

Mr. Ralph Cetrulo, Committee Chair
Mr. Gerard Gallagher, Board Member At-Large
Mr. Peter Kennedy, Committee Member
Mr. John Macedo, Committee Member
Mr. Timothy J. Snyder, Committee Member
The Honorable Colleen C. Davis, State Treasurer

Committee Members Not Represented or in Attendance:

Others in Attendance:

Mr. Jason Staib, Deputy Attorney General, Delaware Department of Justice
Mr. Daniel Scholl, Deputy State Treasurer, OST
Ms. Susan Steward, Policy Advisor, OST
Mr. John Meyer, Director of Contributions and Plan Management, OST
Mr. Daniel Kimmel, Promotion and Outreach Program Manager, OST
Mr. Earl Allen, Partner, Cammack
Ms. Marie Villeneuve, Consultant, Cammack

CALLED TO ORDER

The meeting was called to order at 10:02 a.m.

Mr. Meyer announced to the Committee that Ms. Watson has resigned as a member of the Committee. Mr. Meyer informed the Committee that there are six members of the Committee at this time, and per the resolution passed in February 2018 the Committee is compliant with membership.

APPROVAL OF MINUTES

A MOTION was made by Mr. Kennedy and seconded by Mr. Snyder to approve minutes from the Committee meeting on November 13, 2018.

MOTION ADOPTED UNANIMOUSLY

PRESENTATIONS

2018 Accomplishments and 2019 Committee Objectives

Mr. Meyer reviewed with the Committee the list of accomplishments from the past year.

Mr. Meyer shared with the Committee that the Request for Proposals (“RFP”) for tax counsel to the Board has been issued. An update will be provided to the Committee at the May meeting.

Mr. Meyer provided an update on the memorandum of understanding with the Auditor of Accounts (“AOA”). Per the agreement, Mr. Meyer informed the Committee that moving forward AOA will receive eight and nine tenths percent of the contract price for the audit for managing the Request for Proposal (RFP) and relationship with the auditing vendor.

Mr. Meyer informed the Committee that Mr. Staib was continuing work on the Governance Manual and will provide an update at the May meeting. Mr. Meyer informed the Committee that the external auditor would present at the August meeting. Furthermore, Mr. Meyer reported that he anticipates the focus for this year will be on policy creation and documentation of fiduciary decisions.

DISCUSSION AND ACTION ITEMS

Recommendation on Schedule for Ethics and Freedom of Information Act Training

Mr. Meyer informed the Committee that ethics and Freedom of Information Act (“FOIA”) training for the Board needed to be scheduled for this year. Mr. Meyer stated that in November the Board and Committee participated in fiduciary training, but due to time constraints were unable to complete the other trainings. Mr. Staib informed the Committee that a search of the Delaware Learning Center yielded limited results for ethics training that was available online. Mr. Staib commented that the training was not interactive and very broad to meet the needs of all State organizations. Mr. Meyer suggested that the Committee vote to recommend to the Board that the June 4th meeting cover these topics, and Mr. Staib was willing to facilitate the training.

A MOTION was made by Mr. Kennedy and seconded by Mr. Snyder to recommend to the Board that the June 4, 2019 meeting be devoted to training for ethics and FOIA to be presented by Mr. Staib.

MOTION ADOPTED UNANIMOUSLY

Recommendation Regarding Deferred Compensation “Legacy Fee” Carve Out

Mr. Meyer informed the Committee that at the May meeting they would need to review the state administration fee suspension on the 457 plan. In June 2018, the Board suspended the state administration fee for the 457 plan through June 2019 and approved using a portion of the 457 legacy fee balance to offset future plan expenses, subject to a to-be determined carve-out amount for former participants (who will not benefit from the fee waiver). The Board advised that the carve-out amount should revert back to the plan expense account if it proves either impossible or infeasible to identify former participants. The Committee and Board will need to consider extending the fee suspension for another year.

Mr. Meyer updated the Committee that the Board discussed the preliminary carve-out research that indicated that 1,116 unique participants withdrew from the 457 plan between September 2016 and June of 2018. The Board questioned the feasibility of remitting fees back to participants who left the plan. The Chair requested that the Committee address the feasibility issue.

The Committee discussed the issues and the associated costs and challenges in locating missing past participants. Ultimately, the Committee determined that the legacy fee “carve out” amount should revert back to the administrative fund.

Mr. Macedo requested that a memo be written and circulated by Mr. Meyer on the potential costs with the recommendation for the Committee to vote upon. Mr. Meyer stated that this would be done by the May meeting.

A MOTION was made by Mr. Kennedy and seconded by Mr. Snyder to recommend to the Board that the assets revert back to the fund, contingent on a memo presented by OST regarding the procedures and considerations taken to arrive at this decision.

MOTION ADOPTED UNANIMOUSLY

Recommendation to Exercise the Voya Contract Extension

Mr. Meyer informed the Committee that the initial three year term with Voya would be up in May. Mr. Meyer informed the Committee that the contract had two optional one-year extensions. The Plans have experienced good growth in enrollments over the past two years. Mr. Meyer stated the recommendation would be to exercise the first of the two optional one-year renewals for Voya.

The Committee discussed the current tier options available to Plan participants. The Committee queried Mr. Meyer as to the value of the tier three option in the Plan, and the relationship between Morningstar and TD Ameritrade. Mr. Meyer stated that there would be more research done on the tier two managed account services and tier three self-directed brokerage window for the next meeting of the Investment Committee.

A MOTION was made by Mr. Snyder and seconded by Mr. Macedo to recommend to the Board to authorize the one (1) year contract extension for Voya and the Investment Committee research efficacy of the TD Ameritrade brokerage window and tier-two accounts.

MOTION ADOPTED UNANIMOUSLY

PUBLIC COMMENT

No members of the public present for comment.

NEXT MEETING

The next meeting of the Committee is scheduled for May 14, 2019.

ADJOURNMENT

A MOTION was made by Mr. Kennedy and seconded by Mr. Snyder to adjourn the meeting of the Committee at 11:05 a.m.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Ralph Cetrulo
Chair for the Audit and Governance Committee